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TAGS: EAID, GW

SUBJECT: IN-DEPTH REVIEW OF FRG AID POLICY INITIATED.
EGON BAHR RIDES AGAIN?

REF: BONN 18543, STATE 276326

1. SUMMARY: AFTER 8 MONTHS IN HIS NEW ROLE AS MINISTER FOR ECONOMIC COOPERATION, EGON BAHR HAS INITIATED A FUNDAMENTAL REVIEW OF FRG AID POLICY DESIGNED TO RE-SHAPE IT TO MEET LONGER-TERM FRG SECURITY AS WELL AS ECONOMIC INTERESTS. A PRIMARY GOAL WILL BE TO FIND NEW WAYS, SUCH AS TRILATERAL COOPERATION PROJECTS, TO STRENGTHEN FRG TIES WITH OIL PRODUCERS IN THE NEAR EAST. INTERAGENCY DISCUSSIONS OF THE NEW PROPOSALS ARE EXPECTED TO CONTINUE THROUGH THE SPRING, IN PREPARATION FOR A CABINET DECISION IN JUNE. BAHR IS BEING ACCUSED BY THE CDU/CSU
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OPPOSITION OF DREAMING UP UNWORKABLE SCHEMES WHICH OPEC

COUNTRIES WILL NEVER ACCEPT, AND OF LETTING THE
MAIN ELEMENTS OF GERMAN AID POLICY MERELY DRIFT. THUS

DEBATE OVER AID POLICY MAY BECOME AN ISSUE IN
1975/76 FEDERAL ELECTION CAMPAIGN. BAHR'S MINISTRY
HAS EXPRESSED INTEREST IN CONSULTING WITH US IN
MID-SPRING, AFTER THE PRESENT PROPOSALS HAVE BEEN
MORE CLEARLY FORMULATED BUT BEFORE FINAL DECISIONS
ARE TAKEN. END SUMMARY.

2. AFTER ABOUT 8 MONTHS IN OFFICE AS MINISTER
FOR ECONOMIC COOPERATION, EGON BAHR'S CONCEPTS
CONCERNING FUTURE DIRECTIONS OF GERMAN AID POLICY
HAVE BEGUN TO JELL, AND HE HAS EMERGED AS AN
ACTIVE AND PROMINENT SPOKESMAN ON AID MATTERS. HIS
PUBLIC STATEMENTS HAVE TOUCHED ON KEY TOPICS SUCH AS
THE NEED FOR IMPROVED MECHANISMS, BILATERAL VS.
MULTILATERAL PROGRAMS, AND TRILATERAL COOPERATION
WITH OPEC COUNTRIES. HOWEVER, HE HAS BEEN SINGULARLY
RELUCTANT TO DISCUSS IN ANY KIND OF DETAIL SPECIFIC
PROPOSALS FOR PUTTING INTO EFFECT THESE
CONCEPTS. WHILE THERE HAS BEEN A GOOD DEAL OF FERMENT
WITHIN HIS MINISTRY, ACCOMPANIED BY REPLACEMENT OF
HIS UNDERSECRETARIES AND A CONSIDERABLE RE-SHUFFLING
OF OTHER OFFICERS, THERE HAVE UNTIL RECENTLY BEEN
FEW SIGNS OF CHANGE IN THE BASIC CONCEPTUAL FRAMEWORK
UNDERLAYING FRG AID PROGRAMS. (TO BE SURE, BAHR'S
HAND HAS NEVERTHELESS BEEN EVIDENT. WHEREAS
EPPLER WAS CHARACTERIZED AS THE AMBASSADOR OF THE
THIRD WORLD IN BONN, BAHR ALWAYS LINKS HIS INITIATIVES
OR PROPOSALS EXPLICITLY TO THE FURTHERANCE OF
IMMEDIATE GERMAN INTERESTS.) A GOVERNMENT COMMITMENT
TO PUBLISH A BIENNIAL AID POLICY REVIEW THIS SUMMER
IS NOW PRESSING BAHR TO COME FORTH WITH SPECIFIC
PROPOSALS. MOREOVER, THE OPPOSITION CDU/CSU
IS NOW FORMULATING ITS OWN PROPOSALS FOR USE IN THE
1975/76 ELECTION CAMPAIGNS, THUS GIVING THE GOVERN-
MENT NO CHOICE BUT TO BE READY WITH ITS OWN PROGRAM.

3. ON INFREQUENT OCCASIONS, THE CABINET HAS DISCUSSED
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ASPECTS OF FRG AID POLICY, THE LAST TIME BEING ON
JANUARY 22, WHEN A DISCUSSION WAS HELD ON THE
BENEFITS OF GIVING GREATER EMPHASIS IN THE FUTURE TO
BILATERAL AID PROGRAMS. GOVERNMENT SPOKESMEN HAVE,
HOWEVER, DENIED THAT A BASIC CHANGE IN FRG POLICY
HAS BEEN YET MADE. WHILE THIS SEEMS TO BE THE
CASE, WE HAVE LEARNED FROM WIESEBACH, WHO IS ONE OF
THE CHIEF POLICY PLANNERS IN BAHR'S MINISTRY, THAT

SUCH A REVIEW IS NOW UNDERWAY. THIS REVIEW IS ONLY AT A VERY PRELIMINARY STAGE. PROPOSALS HAVE BEEN DRAFTED, BUT HAVE NOT YET BEEN VETTED AND APPROVED BY BAHR. THUS THE OUTLINES OF THE NEW AID STRATEGY ARE PROBABLY STILL IN A STATE OF FLUX.

4. THE PURPOSE OF THIS POLICY REVIEW IS TO DRAW UP A COHERENT CONCEPTUAL FRAMEWORK WHICH WILL FOCUS ON LONGER-TERM FRG FOREIGN POLICY OBJECTIVES. WIESEBACH AND THE OTHER POLICY PLANNERS RECOGNIZE

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THAT IN DRAFTING THEIR PROPOSALS, THEY FACE THE CONSTRAINT OF THE UPCOMING 75/76 ELECTION CAMPAIGN. THE EMERGING PROGRAM MUST SHOW THAT THE GOVERNMENT HAS A CLEAR GRASP OF WHAT IS REQUIRED, IS TAKING THE

PROPER INITIATIVES, AND AT THE SAME TIME IS NOT
PLACING AN UNDUE BURDEN ON THE GERMAN TAXPAYER.

5. ACCORDING TO WIESEBACH, THE SHIFT IN FOCUS TO
LONGER-TERM OBJECTIVES IS NOT SIMPLY A SHIFT IN THE
TIME FRAME. BY EXTENDING THE TIME HORIZON,
THERE WILL BE A BETTER OPPORTUNITY TO CONCENTRATE
ON GERMAN SECURITY INTERESTS OR ECONOMIC INTERESTS
CLOSELY RELATED TO GERMAN SECURITY. AT THE HEART
OF THESE INTERESTS LIES THE GOAL OF STRENGTHENING
FRG RELATIONS WITH THE NEAR EAST BY WEAVING A
NETWORK OF CLOSE ECONOMIC TIES SUPPORTED BY TECHNOLO-
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GICAL AND SCIENTIFIC COOPERATION. THIS POLICY WOULD
BE PURSUED IN RECOGNITION OF THE UNAVOIDABLE FRG
DEPENDENCE ON THE NEAR EAST FOR ITS ENERGY NEEDS,
AND WOULD BE BASED, ACCORDING TO WIESEBACH, ON THE
WIDE-RANGING NEED BY OPEC COUNTRIES FOR WESTERN
TECHNOLOGY, THE GEO-POLITICAL AND HISTORICAL TIES
AMONG COUNTRIES LINKED BY THE MEDITERRANEAN,
AND THE PREFERENCE OF THE OIL PRODUCERS TO WORK
WITH MIDDLE-SIZED EUROPEAN POWERS RATHER THAN THE
MUCH MORE POWERFUL AND RELATIVELY SELF-SUFFICIENT
US. IN ADDITION TO THE GOAL OF ENSURING MORE SECURE
ACCESS TO MIDDLE EAST OIL, WIESEBACH NOTED TWO
OTHER FRG SECURITY CONCERNS: THE DANGER OF
PROLIFERATION OF NUCLEAR WEAPONRY AMONG DESPARATE
LDCS, AND THE POSSIBLE EMERGENCE OF CHINA AS
A LEADER OF THE THIRD WORLD.

6. FEW SPECIFIC PROPOSALS FOR DEALING WITH THESE
CONCERNS HAVE EMERGED. AT THIS POINT, ONE CAN ONLY
SPECULATE ON HOW THE FRG AID PROGRAM MIGHT BE
DEVELOPED TO DEAL WITH CONCERNS ABOUT NUCLEAR
PROLIFERATION OF THE EVOLVING ROLE OF CHINA. THE
PUBLIC DEBATE HAS SO FAR CENTERED ON TWO ISSUES:
MULTILATERAL VS. BILATERAL AID AND PROPOSALS FOR
TRILATERAL COOPERATION.

7. BAHR'S PROPOSALS FOR BILATERAL COOPERATION WITH
OPEC COUNTRIES HAVE NOT ONLY BEEN GREETED WITH
LUKEWARM RECEPTION IN THE NEAR EAST BUT WITH
CONSIDERABLE SKEPTICISM AT HOME; NEVERTHELESS THEY
ARE STILL ALIVE. ACCORDING TO WIESEBACH, SUCH
COOPERATION IS NOW ENVISAGED AS NOT BEING LIMITED
TO TRIPARTITE DEALS. RATHER, PARTICIPATION
WOULD BE BROADENED TO INCLUDE A NUMBER OF COUNTRIES,
WITH THE PROJECTS THEMSELVES BEING IMPLEMENTED IN
SOME FORM OF INSTITUTIONAL FRAMEWORK. PRESUMABLY

THIS WOULD MEET THE CHARGE BY THE CDU THAT TRILATERAL PROJECTS WOULD LEAVE PARTICIPATING GERMAN FIRMS OPEN TO ARAB PRESSURE TO BOYCOTT ISRAEL. IT IS NOT YET CLEAR WHETHER THE FRG WANTS TO ESTABLISH A SEPARATE INSTITUTIONAL FRAMEWORK, OR WHETHER IT WOULD WORK LIMITED OFFICIAL USE

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THROUGH EXISTING INSTITUTIONS SUCH AS THE AFRICAN DEVELOPMENT BANK OR THE IBRD.

8. THERE IS CONSIDERABLE SUPPORT WITHIN THE FRG FOR LIMITING FUTURE PARTICIPATION IN MULTILATERAL AID PROGRAMS, AND TO PLACE MORE EFFORTS ON BILATERAL EFFORTS. OVERALL FRG PARTICIPATION IN MULTILATERAL PROGRAMS IS NOT LIKELY TO DECREASE, BUT INCREASED FRG RELUCTANCE TO JOIN IN NEW MULTILATERAL PROGRAMS CAN BE ANTICIPATED. GERMAN AID OFFICIALS HAVE HIGH REGARD FOR THE REGIONAL DEVELOPMENT BANKS AS WELL AS THE IBRD, AND SO GERMAN PARTICIPATION IN THEIR PROGRAMS WILL PROBABLY CONTINUE TO GROW AT A PACE ABOUT EQUAL TO THE INCREASE IN THE TOTAL FRG AID EFFORT. THE MAIN THRUST OF THE ARGUMENT THAT MULTILATERAL PROGRAMS ARE INEFFICIENT AND WASTEFUL SEEMS TO BE DIRECTED AGAINST UN AND COMMON EC PROGRAMS, AS WAS INDICATED BY FRG RELUCTANCE TO SUPPORT THE \$500 MILLION CHEYSSON FUND.

9. THE FRG RECOGNIZES THAT IF GREATER STRESS IS PLACED ON BILATERAL PROGRAMS, MECHANISMS FOR CONSULTING WITH OTHER DONORS MUST BE STRENGTHENED. IN THIS REGARD, WIESEBACH INFORMED US THAT THE FRG HAS ALREADY DISCUSSED WITH MAURICE WILLIAMS ITS SUGGESTIONS FOR MAKING DAC AND THE SUPPORTIVE WORK

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OF THE OECD SECRETARIAT MORE RESPONSIVE TO PRESENT NEEDS OF DONOR COUNTRIES. THE RECENT STRONG SUPPORT GIVEN BY THE FRG TO THE LEAD TAKEN BY DAC IN FORMING A CONSULTATIVE GROUP FOR THE SAHEL IS INDICATIVE OF BOTH FRG SUPPORT FOR DAC AND ITS INTEREST IN CLOSE CONSULTATIONS WITH OTHER DONOR COUNTRIES.

10. WIESEBACH BELIEVES THAT IT WILL BE A DIFFICULT STRUGGLE TO OBTAIN CABINET SUPPORT FOR A BASIC OVERHAUL OF THE FRG AID PROGRAM AND ESPECIALLY FOR FUNDING NEW PROGRAMS. INTERAGENCY DISCUSSIONS WILL TAKE PLACE THROUGH THE SPRING, IN PREPARATION FOR A CABINET DISCUSSION THAT WILL PROBABLY BE HELD IN JUNE. NEW PROGRAMS WOULD THEN BE PREPARED IN LIGHT OF THE CABINET DECISIONS, AND THESE WOULD LIMITED OFFICIAL USE

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BE PUBLISHED IN THE SUMMER. IN RESPONSE TO OUR QUERY, WIESEBACH EXPRESSED INTEREST IN CONSULTING WITH US BEFORE THE NEW PROPOSALS ARE DRAWN UP IN FINAL FORM. HE THOUGHT THAT BY LATE MARCH HE WOULD HAVE A GOOD ENOUGH IDEA OF THE PROGRAM PROPOSALS THAT WOULD EMERGE FROM THE INTERNAL DEBATES TO HAVE AN INITIAL DISCUSSION WITH EMBOFF. AT A LATER POINT HE THOUGHT THAT DISCUSSIONS

WITH WASHINGTON OFFICIALS MIGHT BE USEFUL.

11. COMMENT: BAHR WOULD VERY MUCH LIKE TO BE THE ARCHITECT OF A NEW LONG-TERM AID POLICY WHICH COULD BE DEFENDED ON THE GROUNDS THAT IT CONTRIBUTES TO GERMAN SECURITY INTERESTS. HOWEVER, IT WILL NOT BE EASY TO FIND PROGRAMS WHICH ARE ATTRACTIVE TO OPEC COUNTRIES WHILE AT THE SAME TIME ENTAILING LITTLE OR NO ADDITIONAL FINANCIAL BURDEN FOR THE FRG. IN THE MEANTIME THE DRIFT IN PRESENT FRG AID POLICY IS BECOMING MORE EVIDENT. ON FEB 5 THE CDU/CSU SPOKESMAN FOR DEVELOPMENT POLICY CHARGED THAT ALTHOUGH UNDER EPPLER GERMAN AID POLICY HAD TAKEN A FALSE COURSE, UNDER BAHR IT HAS NO COURSE AT ALL. WHILE HOLDING TO SOME SKEPTICISM AS TO HOW FUNDAMENTAL A CHANGE IN PRESENT POLICY WILL BE CARRIED THROUGH, WE BELIEVE THAT AN INFORMAL MEETING BETWEEN APPROPRIATE WASHINGTON OFFICIALS AND FRG AID OFFICIALS IN MID OR LATE SPRING WOULD BE MOST USEFUL.
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